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Food Business Line

Periodic Press Translations from ATO Tokyo

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Report Highlights: In response to the liberalization of Japan liquor sales regulations, scheduled to take effect in September, the availability of alcoholic beverages is already expanding beyond traditional outlets; Despite the current economic situation in Japan, *Denny's Japan* and several major *Nakashoku* take-out food companies plan ambitious expansion activities through fiscal year 2003; Japan's Finance Ministry plans to lower the customs clearance fee at its major seaports and airports; Despite the current economic situation, some Japanese consumers are still willing to pay substantial prices for gourmet foods; A Japanese newspaper states that beef prices are forecast to skyrocket this summer and; On February 26, *U.S.A. Rice Federation* launched its new "U.S. Rice Shop Network" in Japan.

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Food Business Line

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Retail/Wholesale

- In response to the liberalization of Japan liquor sales regulations which is scheduled to take effect in September, a variety of non-food companies such as 100-yen shops and rental video shops are also starting to sell alcoholic beverages in order to attract more customers. (a 2/14)
- According to the *Japan Chain Store Association*, total sales of member supermarkets in January declined by 2.4% compared to the same month last year on a same store basis. It was the 7th consecutive month of declining sales. (a 2/25)
- According to the *Japan Department Store Association*, total sales of member department stores in January declined by 1.6% compared to the same month last year, which was the 10th consecutive month of not achieving the previous year's sales level. (a 2/25)
- *Daiei* plans to strengthen its food operations by establishing closer ties with *Maruetsu*, a supermarket chain operator. This closer relationship will become the centerpiece of a revised business rehabilitation plan. *Daiei* plans to open new stores, renovate retail outlets and welcome *Maruetsu* President as Vice Chairman, turning to the food-related business as a means to revive its operations. (a 3/6)

Food Service

- According to the *Japan Food Service Association*, total sales of member companies in January declined by 0.8% compared to the same month last year. It was the first sales decline in six months on a whole store basis. (a 2/25)
- *Nikko*, the manufacturer of frozen food for delivery, plans to double its production capacity and start supplying meals for schools in the Kanagawa prefecture. *Nikko* plans to offer food using local vegetables and non-chemical seasonings. *Nikko* also emphasized that the meals will be healthy and safe for use in the schools. (a 2/27)
- Five major *Nakashoku* take-out food companies, *Plenus*, *Rockfield*, *Origin Toshu*, *Kakiyasu Honten*, and *Hurxley Corp.*, plan ambitious expansion activities through fiscal year 2003, with record store openings totaling more than 400 units. Their plans reflect the growing *Nakashoku* take-out market in addition to lower start-up costs in the metropolitan areas that stem from depressed real estate values. (a 3/7)
- In an effort to increase its profitability and revive its financial situation, *Denny's Japan* plans an aggressive new outlet campaign in fiscal year 2003. With rental rates and other start-up costs in the metropolitan area declining, *Denny's Japan* will launch a record high 50 new outlets in 2003. (b 3/4)
- The consolidated working profit of *Reins International* for the fiscal year ending in December 2002 increased by 45% compared to the previous year. It is the fifth consecutive year in a row of record high profit increase. The growth is mainly due to its aggressive opening of "Gyukaku" yakiniku grilled beef restaurants and other pub-style restaurants. Acquisition of *Red Lobster Japan* also contributed to the profit increase. (a 2/13)

Food Processing/New Products/Market Trends

- Japan's Finance Ministry is planning to lower the customs clearance fee at major ports and airports of entry, mainly due to increased criticism from major overseas transport companies that the charge is expensive and that it is pushing up distribution costs. As a result, the Ministry wishes to make Japanese ports and airports competitive with ports of entry in the United States or in the United Kingdom. (a 2/15)
- Despite the current Japanese economic situation, some consumers prefer exclusive food choices and are willing to spend more than 10,000 yen (about \$85) for even traditional dishes like sandwiches, cakes, and curry with rice, once it has benefitted from the value-added gourmet's touch! For example, *Shiseido* (a major cosmetic company) owns a café restaurant called *Shiseido Parlor* where for a limited time its patrons could order an exclusive menu of "Lobster and Abalone Curry with Rice" which costs 10,000 yen per dish. It attracted more customers than expected. *Shiseido* enjoys average sales of 10 per day, going as high as 30 a day, mainly from middle aged and elderly women who can afford to pay a higher price for quality leisure time. Because the promotion was so successful, it has been added to the year-round menu. Also, among *Imperial Hotel's* food items for delivery, it offers 10,000 yen assorted sandwiches with specially selected seafood, like salmon and crabs and fruits delicately prepared in an attractive container that has the appearance of freshly baked bread. Initially, this item was only offered to special customers, but it is now openly advertised, averaging about 40 orders per month. (a 3/5)

Food Safety/Consumer Awareness

- Beef prices are forecast to skyrocket this summer, due to high import prices caused by dry weather conditions in beef exporting countries. In addition to this, there is the growing possibility of the Government of Japan initiating a beef safeguard (an emergency beef import restriction). This measure will result in even higher costs for imported beef. Consequently, it will likely have a negative impact on domestic meat processors who are already ailing from low retail food prices and weak consumer demand in the midst of a deflated Japanese economy. (f 3/17)

ATO Note: Japanese consumption of beef declined dramatically last year when bovine spongiform encephelopathy (BSE) was detected in the country, which coincided with the occurrence of several meat mislabeling scandals.

- The *U.S. Meat Export Federation (USMEF)* held a press conference on March 7, 2003 at the residence of the U.S. Ambassador to Japan to bring attention to the U.S. beef and pork situation in Japan. *USMEF* commented that they could not understand the current situation of Japan launching safeguard measures on beef, when U.S. beef exports to Japan were also affected by Japan's BSE outbreak last year, falling by more than 27 percent. Since the occurrence of the BSE outbreak, *USMEF* has been devoted to revitalizing the Japanese beef import market. An U.S. beef and pork menu party was held after the conference. (f 3/17)

ATO/Cooperator/Competitor Activities/Trade Shows

- *Raisin Administrative Committee* is currently recruiting product development personnel from dairy food manufacturing companies to participate in the Dairy Product Development Technical Seminar scheduled to take place in Tokyo and Osaka in April. The seminar will focus on raisins as an ingredient in dairy products. (f 2/27)
- On February 26, The *U.S.A. Rice Federation* launched the "U.S. Rice Shop Network," a large network of shops handling U.S.-grown rice in a tie-up with rice dealers in the Tokyo and Osaka regions. The aim is to maintain a supply of rice in Japan throughout the entire year. The plan is to increase the number of dealers in the network from the current 44 to 100 in the near future. (a 2/27)

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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